

2010 Review:

Interim Update

October 2010

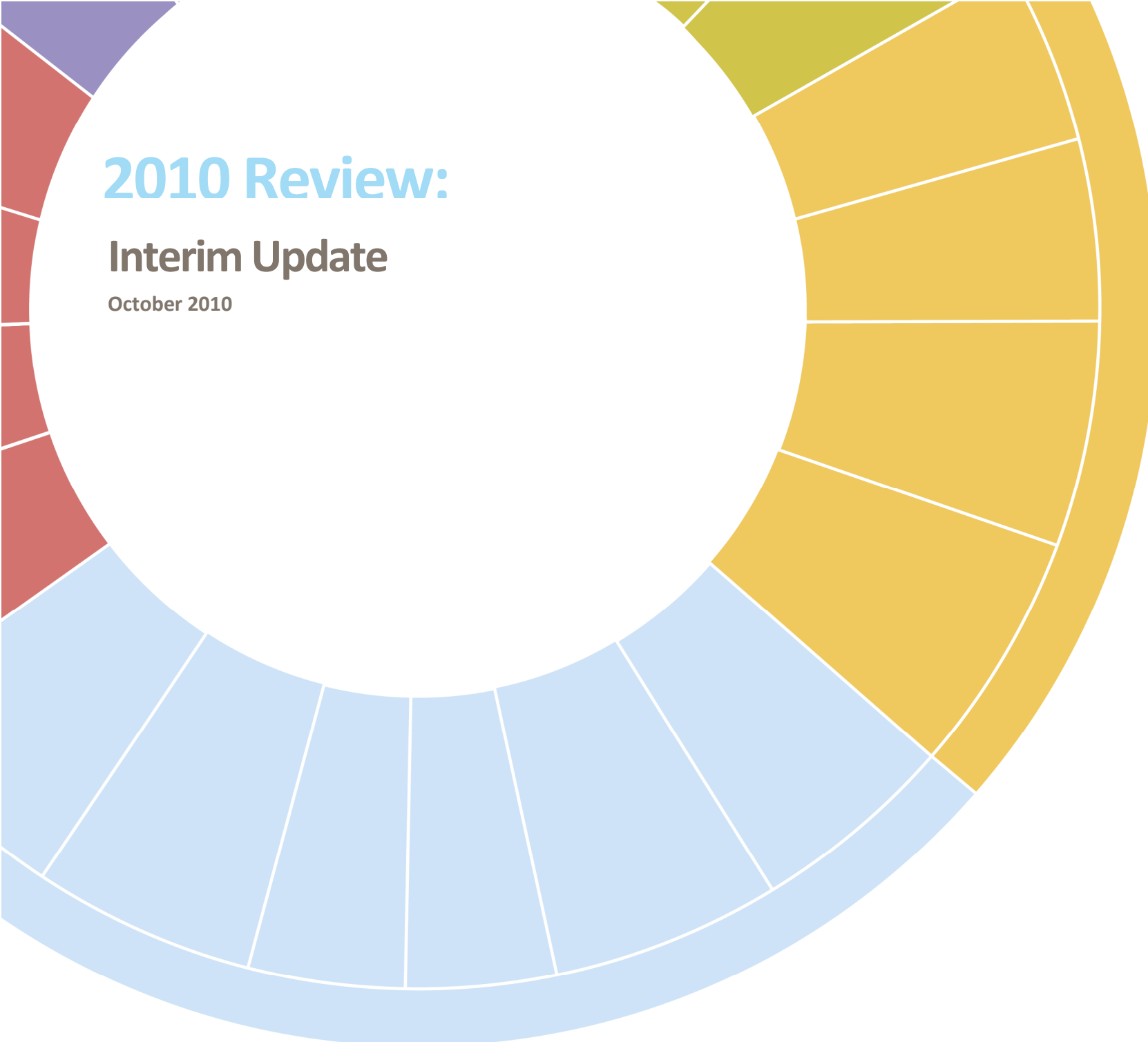


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1.0 Foreword

Economic and political climates are always dynamic, but we are clearly facing a period of significant change with a radical and reforming Government. As more of the UK Coalition Government's policy direction becomes clear, with messages of big society rather than big government, and tight fiscal constraint requires that public services achieve more for less, attention will increasingly be on the successful delivery of services.

The new policy agenda proposes some big changes to the delivery of employment and skills services, and in particular there is uncertainty as to how local economic development will be delivered, to which employment and skills policies make an essential contribution.

I believe the 2010 Review could not have come at a better time to ensure we get the maximum benefit from the overall investment of individuals, employers, social enterprises and the public purse in both employment services and adult skills provision. Maximising the impact of these services is vital to secure a strong and stable economic recovery and enhance the value to the economy of increases in business sector employment which has been particularly hard hit during the economic downturn.


The Review presents an opportunity, particularly in the changing political situation, to consider what more needs to be done by Governments or in partnership with the private sector to ensure that existing local employment and skills services are mutually supportive and geared towards the twin objectives of sustained employment with career advancement for individuals, and increased productivity and profitability for businesses.

The case for improved integration between employment and skills services has been made many times and it is clear that joint working and greater collaboration allows employment and skills services to achieve more for less by removing duplication and ensuring that collaborative working is implemented where optimum impact and added value can be achieved.

- Duplication is inefficient, as time, resource and money is diverted away from delivery but also creates a barrier to delivering better customer satisfaction and outcomes.
- Collaboration achieves outcomes that are not possible alone by delivering optimum impact. With the localism emphasis in the Big Society, it seems a possibility that complex issues can be tackled efficiently and effectively locally to maximise outcomes.

The 2010 Review is not complete, but this interim update sets out what we have heard so far from the people who deliver frontline employment and skills services. This report sets out some of the areas that need to be addressed in order to improve delivery and make the most out of the limited funds available to secure the biggest impact in economic development and growth. These interim findings will be taken forward in the remaining stages of the review.

I am pleased to say that a significant strength of this review is that it is collaborative. We hope that this report provides a focus for discussion and consultation with the employment and skills system to take forward and develop enduring recommendations that directly impact on the services that individuals and employers receive.



Julie A Kenny CBE

Commissioner

UK Commission for Employment and Skills

2.0 Summary

The 2010 Review was commissioned to report on what more needs to be done by Governments in Great Britain to ensure employment and skills services are meeting the needs of the modern labour market. Services once designed and delivered to help individuals get 'in and on' in work, now need to reflect a dynamic flexibility as more individuals move 'in and out' of work as well as 'on' in work.

As the Coalition Government seeks to reform the delivery of public services, much of the policy agenda of employment and skills services is under review. This interim update builds on the recent progress that has been made in each nation to increase joint working and identifies the challenges that remain to be addressed. These are the opportunities for the new policy agenda to tackle in meeting the needs of the labour market – not just to tackle long term worklessness but also to maximise individual and employer opportunity and to drive long term economic growth.

The messages in this report are presented under four themes and in part based on fieldwork conducted in June and July 2010 in the Somerset and Dorset sub-region of South West England. The findings are supplemented with stakeholder engagement and research to ensure, despite the interim nature of this report, our findings ring true for the system as a whole.

- **There is a lack of customer focus in the current delivery and accountability of employment and skills services.** Stakeholders reflect that delivery is too frequently driven by meeting the needs of the national agency funding the programme at the expense of genuinely securing the best outcome for an individual or employer, and therefore the community as a whole.

- **Customer and performance information is not used effectively to drive improvement in the outcomes of delivery.** Empowering individuals and employers to make better choices will require a step change in the way the employment and skills system uses and presents information to secure feedback, improve services and inform customers of the support available.
- **Generic contractual and funding arrangements agreed at a national agency level restrict flexibility and stifle innovation and creative local delivery.** Tighter fiscal constraint resulting from bringing public spending under control, presents an opportunity to achieve more for less by increasing the flexibility of delivery to enhance innovation and increase productivity.
- **Different commissioning and administrative processes in the employment and skill system results in duplication of work and a great deal of expense.** Trusting providers and a greater emphasis on lighter touch regulation, monitoring and inspection provides the employment and skills system an opportunity to remove duplication that acts as a boundary between agencies and prevents joint working.

We would like stakeholders to comment on whether the challenges to integration are correct and help prioritise our work to the end of this review in early 2011. We will research and explore the challenges identified within this report in greater detail, providing an update report in December 2010 to support the development of recommendations on how to maximise the impact of employment and skills provision on customer outcomes.

3.0 Introduction

The UK Commission for Employment and Skills was formed in 2008 and advises Government on policies and delivery that will contribute to the UK becoming among the best in the world for jobs, skills and productivity.

The 2010 Review has its foundation in the Leitch Report published in 2006, which recommended the development of an *“integrated employment and skills service to help people meet the challenges of the modern labour market”* and for the UK Commission to report on the changes required to deliver an integrated service. The UK Commission’s 2010-11 Grant in Aid Letter requires: *“The continuation of the 2010 Review that will have as its focus progress on integrating employment and skills systems in Great Britain (including higher education)”*. In line with this remit and scope, the Review aims to answer two questions:

1. How much progress has been made in England, Scotland and Wales towards integrating employment and skills?
2. What more needs to be done in each nation to create integrated services?

In February 2010 we published our launch document which set out the assessment framework that is being used to answer these two questions. This is being applied in partnership with stakeholders through three main strands of work of the Review:

Regional / sub-regional fieldwork: Fieldwork seeks to create and develop a collective understanding of integration in practice. Facilitated workshops capture the experiences of regional and sub-regional stakeholders and customers who represent the ‘whole-system’. Fieldwork will be completed in eight locations across England, Scotland and Wales conducting a self assessment process using the Review assessment framework in each location (see Annex B for a copy of the framework and Annex D for a full list and timing of fieldwork locations).

National engagement: National agencies and policy makers will explore how integration is occurring on a national level. It will be informed by the regional / sub-regional fieldwork and will involve stakeholders from across the whole system that work at a national level and be conducted in England, Scotland and Wales separately. As with the fieldwork, participating stakeholders will produce an overall self-assessment for each nation.

Online consultation: (<http://2010review.ukces.org.uk>) The review has a dedicated micro-site linked from the main UK Commission website. The website allows the widest group of stakeholders to participate in and stay up to date with progress. Summary and preparatory notes are published online creating transparency in the way we conduct the Review. We use the site to post the most up to date news and articles as developments affect the employment and skills system.

This interim update report of the 2010 Review sets out the current challenges that we have heard from local agencies in joining up employment and skills delivery and in ensuring services work together effectively for customers. Many of these challenges arise from the current approaches to delivery, but are remaining issues relevant to the implementation of any new reform agenda.

The Review is not due to complete until early 2011, but by sharing our emerging messages from the fieldwork, stakeholder engagement and research to date we are seeking consultation from stakeholders to shape the programme of work and focus of the remaining period of the Review.

The next steps for the 2010 Review are to:

- Consult on the future focus of the Review
- Carry out detailed investigation of emerging issues
- Continue to capture the experiences regional and sub-regional stakeholders and customers

Our next update report is scheduled to be published in December 2010 and will provide a further update on Review progress but also share emerging findings and recommendations.

4.0 The emerging employment and skills landscape

The employment and skills landscape is changing rapidly across Great Britain, as the Coalition Government seeks to make a step change in increasing the effectiveness and value for money of public services through concepts such as the “Big Society” empowering individuals and local communities.

In the skills system, the English Government’s policy direction has clearly set its sights on becoming determined and informed by the choices of learners and to promote greater freedom for colleges with more responsiveness and accountability. A consultation process is currently underway in England, setting out that empowered, informed employers and learners should be at the heart of the skills system that responds to their needs and is accountable to them.

In addition the pre-employment training offer and its links to DWP’s Work Programme is also being reviewed.

The reforms seek to ensure effective vocational training is on offer to provide individuals with poor work prospects with a route into employment and helps them progress in their careers or start their own businesses. Both the Scottish and Welsh Governments have announced plans for reviews of current skills policy and the links across to employment support.

Across the employment and welfare to work systems in Great Britain, the recently announced single Work Programme seeks to not only consolidate and simplify the number of programmes available, but also aims to create a focus on producing longer and more productive employment outcomes for individuals. This is to be achieved by enhancing innovation and personalisation in welfare to work delivery. Reforms are also proposed to significantly reduce the number of individuals claiming benefits (particularly sickness and disability benefits) in order to reduce DWP’s current £47 billion per annum spend on working age benefits. Along with changes to the benefits system to increase the rewards for work and simplification of the benefits system identified in the Command Paper ‘21st Century Welfare’ the impact is likely to be a significant increase in the number of individuals that will be actively looking for employment and requiring support.

The tensions between an empowered skills system driven by individual choice and an employment system focussed on commissioned outcomes are still to be resolved, as is how to devolve accountability to the local level to more effectively meet the needs of individuals and employers. But whatever the policy changes, it is clear that Great Britain needs employment and skills policies that are effective in achieving the greatest impact on individual opportunity and value to the economy of increases in private sector investment. Steps have been taken to improve joint working between delivery partners in many locations, for example by increasing co-location and improving adviser capability, but continuing to remove boundaries and facilitate seamless working between delivery partners is necessary to ensure that every pound spent on employment and skills services is targeted at making the biggest impact and return for customers and communities.

This Review presents an opportunity for stakeholders to keep ahead of change by considering how existing local employment and skills services are mutually supportive and geared towards the twin objectives of sustained employment with career advancement for individuals and increased productivity and profitability for business.

This report structures our emerging messages under four themes that are relevant to the priorities of the coalition Government. The purpose of this is to reflect what we heard from local stakeholders and delivery agencies to Governments and Departments as they set about implementing their reform agendas. Progress has been made, but this interim report provides a ‘voice’ of what remains a challenge for the employment and skills landscape to be appropriately addressed.

- The proposed shift from big government to big society and the resulting push for increased accountability and responsibility for delivery locally will require greater **customer focus** in employment and skills delivery, as set out in section 5.1.
- Empowering individuals and employers to make better choices will require a step change in the way the employment and skills systems use and present **information** to secure feedback, improve services and inform customers of the support available, as set out in section 5.2.

- Tighter fiscal constraint presents an opportunity to achieve more for less by increasing the **flexibility** of delivery to enhance innovation and increase productivity, as set out in section 5.3.
- Trusting providers through a greater emphasis on lighter touch regulation, monitoring and inspection provides the employment and skills systems with an opportunity to remove **duplication** that acts as a barrier between agencies and prevents joint working, as set out in section 5.4.

Many of the challenges set out in this document may well be addressed in the new policy agenda, but there are current gaps in the capability of the system to support effective joint working by employment and skills agencies that directly impair customer outcomes and value for money. These are areas that policy, and in particular successful policy implementation, should address to improve customer outcomes and opportunity.

5.1 What we have found – Customer focus

Findings from the Review to date identify a lack of customer focus in the current delivery and accountability of employment and skills services, particularly those programmes designed at a national level. Stakeholders reflect that delivery is too frequently driven by meeting the needs of the national policy or programme at the expense of genuinely securing the best outcome for an individual or employer, and therefore the community as a whole.

Progress has been made, for example with Local Strategic Partnerships in England providing a focus for local delivery agencies to tackle the needs of certain customer groups, but this focus remains very narrow, and many of the objectives and goals of the key delivery organisations are separate. Stakeholders and agency staff use ingenuity and goodwill at a local delivery level to make the programmes and provision available work together as best they can for individuals and employers to deliver services that are mutually supportive of achieving progression for individuals and profitability for businesses.

As accountability for delivery is pushed down from the top level of individual national government organisations to local communities, employment and skills services will need to be more reflective of the requirements of local labour markets and the outcomes that are actually achieved.

What we have found in detail – the challenges to be addressed:

- **Delivery partners need to meet organisational goals first before joint working**
Collaboration is too often perceived as a nice to have 'add on' to be completed when all other organisational targets and business are complete. This runs the risk of missing the value for customers and communities in employment and skills organisations working together to maximise the impact and outcomes of services.
 - **Delivery partners are not working together towards a common goal for customers.** There is no clear vision for employment and skills delivery. The concept of employment and skills services being mutually supportive is just that - a concept with no framework or understanding of how this could be achieved. There is no 'tangible' or 'real world' common objective for delivery partners to work seamlessly towards for individuals and employers.
 - **There are not always common objectives across local delivery partners.** The ability of local delivery partners to meet the needs of local customers and communities is constrained by their need to achieve top down, centrally determined operational and performance targets. The pursuit of these different targets is too often at the expense of meeting the genuine needs of local customers and scarce public funding is wasted on delivery that has little impact.

- **There are too many competing and fragmented programmes.** Programmes that are set up to deliver a specific activity or output tend to create competition for customers between providers. The result is a vast array of confusing messages over the best 'next step' for a customer to undertake. Rather than giving the customer a choice of provider to reach a common outcome, an individual or employer's journey needs to navigate multiple agencies and providers across a complex range of provision.
 - **Similar programmes compete for the same customers.** Competition is increasingly used as a method of improving the performance of public services. Here, instead of competition improving quality and driving down cost, it is holding back the service to individuals and employers as providers duplicate and fragment services and messages to customers in the pursuit of funding.
 - **Customers are not always referred to more suitable provision.** Provider funding is described as 'sticky'. Providers are keen to ensure customers 'stick' or stay on provision, either to continue to receive funding or to meet individual targets. There remain insufficient incentives for providers to cross-refer or signpost individuals and employers to another provider or programme that might better meet the needs of the customer and achieve a better outcome.
- **Programmes focus on outputs rather than outcomes of sustainable employment and profitability for employers.** Individual agencies often set programme targets via their individual commissioning and contracting arrangements. The targets are geared toward the achievement of specific activity based outputs and do not go far enough on focussing on the impact of the programme on a customer.
 - **Partnership working between agencies is variable.** Programmes in the employment and skills system often work to individual output targets, such as a qualification, rather than customer-focussed outcome targets of sustainable employment individuals and profitability for business.
 - **Agencies are unsure about how services can meet both individual and employer needs.** There is recognition that meeting the needs of both the individual and employer creates the biggest impact, but there is a clear tension that this will not always be achievable for all customer groups. There are few programmes that focus on simultaneously helping employers to develop their workforce by increasing the skills of the workforce, and doing this in a way that attracts greater co-investment and more productive outcomes.

Case study 1 – Creating customer focussed services

In the South West of England, the Creative and Digital Media industry is a priority growth sector. With a high concentration of SMEs and micro-businesses, employers in this industry can be difficult to engage, offering limited workforce development opportunities.

South West Apprenticeship Company (SWAC) and Skillset adopted a flexible customer focused approach to service delivery. The Advanced Apprenticeship in Creative and Digital Media was designed by Skillset in partnership with employers, and continues to be developed and adapted with industry input. It is being delivered in the region by SWAC and Skillset in collaboration with Media Clusters, colleges and the apprenticeship infrastructure. Because apprentices are 'hired out' to host organisations on a flexible basis, SWAC removes much of the administrative burden in hiring an apprentice, dealing with payroll, support and training and being their legal employer.

By working in partnership with industry and delivering apprenticeships in a way that meets the needs of local employers, this programme has been able to open the door to the creative media industry to individuals across the South West, enabling businesses to grow by recruiting and training fresh new talent.

What we plan to do next: Areas of focus for the Review

- Creating a common purpose, aspiration and 'customer centric' focus across multiple providers:
 - How Governments can ensure that all agencies and providers within the employment and skills system seamlessly work towards the goals of customers.
 - How outcomes should be designed and developed to have the biggest impact on participation and outcomes for individuals and employers.
- Empowering customers and making services more accountable and transparent to local individual, employers and communities:
 - How devolving accountability to a local level can be maximised to enhance the customer experience, opportunity and outcomes from delivery.
 - How the conflicting needs of individuals, employers and communities can be balanced to maximum effect.
 - How performance management arrangements can empower customers to drive performance, quality and innovation from the system.
- Ensuring programmes identify, prioritise and encourage future (private sector) growth opportunities to deliver outcomes:
 - How agencies and providers can consistently and effectively work together (where there is clear benefit) to align programmes and support at a local level to maximise the impact on customer outcomes and opportunity.
 - How the commissioned results of delivery can be enhanced to always work towards customers' end aspirations and outcomes.

5.2 What we have found – Information

Stakeholders in the employment and skills system identify that information has a key role to play to achieve the maximum success and impact of provision, whether this is improving the customer journey, driving up the performance of services or empowering customers to make the right choices.

Increasingly, improvements have been made to share customer information - for example setting up data sharing protocols between agencies and providers on pre-employment programmes - yet this information could more effectively be used to drive improvement in the delivery of services, rather than feeding the performance management of programmes.

Employment and skills agencies and providers are 'data rich', collecting a vast array of customer and performance information. Providers will increasingly need 'step up to the mark' to analyse and report this information on a timely basis to not only inform and empower individuals across the system but also to leverage greater co-investment from individuals and employers as public funding is increasingly required to go further.

What we have found in detail – the challenges to be addressed

- **Separate information systems restrict data sharing across the employment and skills systems.** Information on the delivery of employment and skills services is collected by multiple individual agencies and providers, and is often inconsistent and fragmented. Inconsistency in data definitions and collection processes make sharing and linking up information between organisations difficult and time consuming. Attempts to share information to plan and tailor improved services for customers are frequently stifled by fears between agencies and providers of breaching data-sharing legislation.
- **There are multiple isolated information systems.** Customer and performance information collected across the employment and skills systems are predominantly carried out in isolation by individual agencies and providers. Information systems are rarely aligned and the need to manage information in multiple systems is expensive, placing strain upon the administrative requirements of agencies and providers.
- **Inconsistency of definitions of key performance indicators between different areas of provision.** There are differences in data definitions and key performance indicators between the various employment and skills agencies. For example, the definition of 'sustainable employment' varies considerably between agencies. These differences add complexity to the system and serve to create confusion amongst policy makers as well as customers. Differences in data definitions create difficulties in understanding how the whole system is performing and inhibit organisations to pool funding and resources effectively as they have different views of what success looks like.
- **Applications of the principles outlined within the Data Protection Act (DPA) are a barrier to sharing information.** Fear of breaching the DPA has created several issues as risk averse agencies have introduced restrictive data sharing protocols which make information sharing a lengthy and expensive process or is blocking information sharing. These protocols usually extend the principles of the DPA to information where individuals cannot be identified, adding further barriers for sharing information where it is not always necessary and preventing the improvement and tailoring of effective services for customers.

- **Information is not used effectively enough to drive improvements throughout the system.** Programmes are too often planned and delivered without taking into account customer feedback and understanding what works in delivery, with limited identification and sharing of good practice between agencies. Labour Market Information (LMI) and customer feedback is used inconsistently to shape and improve the delivery of services.
 - **Customer feedback is inconsistently collected across the system:** Not all agencies and providers collate and use customer feedback to drive improvements. Within the skills system, institutionalised customer feedback is collected largely through annual surveys across different areas of the system and is divided between individual customers and employers. Across the employment system, customer and employer feedback is collected by providers and agencies but these processes are often not timely. These differences do not support improvements in local planning and delivery of joined up employment and skills services.
 - **Labour Market Information (LMI) is not used effectively to inform and adapt provision to ensure it is responsive to the needs of the local economy:** Local LMI is not consistently used to inform the shape and nature of provision. Some regional agencies have installed data ‘observatories’ to create independent, forward looking LMI to inform the commissioning of the needs of local and regional customers and communities. This usually only has an impact upon funding which is commissioned from locally controlled funding sources and has little impact upon the shape and delivery of nationally funded projects . This creates an inconsistent and confusing offer of provision with some elements seeking to meet national requirements and others seeking to respond to local labour market needs.
- **Costs of delivery are unknown across the whole system.** While some delivery partners have a good understanding of the actual costs of providing a specific programme or service, the costs of delivery across the whole system are unknown. Often cost is only known as a nationally agreed funding limit or allocation. Not knowing the cost of delivery means that there is no incentive for delivery partners to either reduce costs or to undertake cost benefit analysis to identify how improvements could be made to services to make them more effective.
- **There is little information to support individuals or employers to make the best choices over accessing services.** Programme performance data and information is largely collected to report performance to national agencies rather than collecting information which will help inform the customer about what provision is most suits their needs. Information presented to individuals and employers is rarely consistent or accessible enough to really inform their choices on the ‘right’ provision let alone achieving the best outcome.
- **There are multiple communications to individuals and employers on the employment and skills services available.** There are multiple sources for customers to access information on the employment and skills services available creating unnecessary confusion and complexity for the customer. Sources of information rarely have a ‘complete picture’ of the support on offer. Instead, information sources usually specialise in one area and customers have to access multiple sources to receive a full range of support.

- **The benefits and impact of provision on individuals and employers is unknown.** Capturing information which demonstrates the wider outcomes of engaging with employment and skills provision is inconsistent and is not presented and published in an accessible format to individuals and employers or intermediary agencies. Accountability for tracking of participants is limited and usually only carried out when specified in a contract up to a specific period. Failure to capture the full benefits and impacts of provision prevents the employment and skills system engaging with target groups and consistently demonstrating its impact to customers in terms which they would identify as important.
- **Difficult to encourage co-investment.** Failure to demonstrate the specific benefits of provision in financial or social returns limits the ability of agencies and providers to encourage individuals and employers to co-invest in the funding of provision. Individuals and employers are far more willing to contribute towards the cost of provision where it has real and tangible benefits.

Case study 2 – Working around differences in the information on provision collected as a result of different contracting arrangements

Different contractual requirements exist for providers to supply information on the type, quality and performance of provision. DWP's contracted welfare to work providers use a Provider Referral and Payments (PRAP) system as well as receiving 'star ratings' based on performance and the forthcoming customer satisfaction metric. However, non-contracted provision has different information requirements and performance assessments. Published information supplied by different agencies is different again, so significantly there is not a consistent measure of quality or performance across provision.

The differences in the information collected make it difficult for advisers in the employment and skills system to engage with individuals and employers to explain the benefits and impact of provision. Often 'one off' examples or case studies are created, which need to be frequently updated to ensure they are relevant.

The limited ability of advisers to access and supply consistent information to help individuals make the right choices limits individual and employer motivation and participation in the most appropriate provision.

What we plan to do next: areas of focus for the Review

- Sharing information between agencies and providers to facilitate increased opportunity for customers:
 - How agencies can enable providers to collect and use customer information effectively that could have a positive impact on delivery and outcomes.
 - How information can be shared effectively between agencies and providers to drive effective decision making and performance.
- Driving improvements in customer outcomes through the timely collection and analysis of labour markets needs and customer feedback:
 - How agencies and providers can more effectively collect and use labour market information and customer feedback to improve service delivery and outcomes.
 - How providers can increasingly tailor the services and support available to the needs of the local labour market.
- Empowering customers to participate and engage by understanding the benefit of services on future opportunities and outcomes:
 - How customers can access clear information on the expected outcomes from the provision which facilitates customers to make the most appropriate decisions to maximise opportunity.
 - How barriers to co-investment can be removed to encourage greater co-investment and stronger engagement and participation.

5.3 What we have found – Flexibility

The Review has identified that generic contractual and funding arrangements agreed at a national agency level, restrict flexibility and stifle innovation and creative local delivery.

A ‘top down’ approach often curtails an individual organisation’s ability to personalise provision, respond effectively to the uniqueness of local labour markets and allow the collaborative development of ‘local solutions’ to ‘local needs’.

Tighter fiscal constraint and the need to achieve greater efficiency and effectiveness presents an opportunity to achieve more for less by increasing the flexibility of local delivery agencies to increase the productivity of delivery by meet local business and economic needs.

What we have found in detail – the challenges to be addressed

- **There is a lack of flexibility in the way national programmes can be delivered.** National programmes often set delivery activities and payment structures that result in local agencies and providers only being able to provide specific services to pre-determined eligible customer groups. The direct connection between funding policy and delivery limits national provision from being flexed in design and delivery to respond to customer needs. This places a reliance on the availability of local discretionary funding to ‘fill in the gaps’ rather than enhance and complement national delivery.
 - **Delivery meets the needs of the programme, not the customer.** Nationally agreed delivery activities and payment structures of employment and skills programmes and provision result in delivery being very constrained. Customers are ‘shoehorned’ into available programmes and provision as local agencies have little influence in the range, scope or design of the provision.
- **Delivery is too generic to meet individual customer needs.** National programme specifications do not allow for flexibility and the customisation of services. The lack of personalised services impacts negatively on employers resulting in unfulfilled workforce skill needs and in individuals’ low take up of provision and high attrition rates.
- **Programmes cannot always be flexed to meet employer recruitment and workforce development needs.** It is difficult to address local business recruitment needs without applying a degree of local flexibility and autonomy. These timely and flexible responses to labour market demand are often constrained by contractual requirements, national provision procurement and programme design.
- **Funding too often follows programmes and organisations and not customers.** There are limited opportunities to flex national funding arrangements. National funding streams follow provision and are not always aligned to labour market and individual need. The uniqueness and challenges within a locality; i.e. rural versus urban, high concentration of small businesses and variations in local demographics, arguably provide a sufficient case for flexibility in the design and delivery of employment and skills programmes.
 - **Funding cannot be pooled.** Creating appropriate employment and skills interventions is difficult if organisations want to pool funding from existing funding structures and frameworks. There is limited discretionary funding in the national design of programmes, little scope for local autonomy and flexibility and hence little scope for collaborative and creative solutions

- **National funding is not stable and is continually changing.** Constant changes to policy and funding structures can result in uncertainty for providers and deter customers (notably employers) from participating. It reinforces the sense amongst employment and skills delivery organisations, that ‘policy doesn’t support delivery’. These risks are greatest for small and third sector organisations, already vulnerable in the current fast moving employment and skills landscape.
- **Different funding periods can restrict ongoing customer participation.** National funding timelines impact on programme delivery and are not always responsive to or match to local customer need. National planning and funding allocations, i.e. through the Spending Review, are reflected in individual organisational planning and funding allocations. This can create tension with the ability to flex and the need to be guided by local individual and employer needs.

Case study 3 – Overcoming funding barriers to ensure the availability of services for all

Jobcentre Plus refers unemployed individuals claiming Jobseekers Allowance and who need English language skills to a provider of English for Speakers of Other Languages (ESOL). Many of the providers are colleges which have limited recruitment periods for courses and as such an individual wishing to access this provision may have to wait weeks or months to access the skills provision they need.

Some colleges have responded to this through using additional funding sources, such as funds provided through the European Social Fund to fund additional and more responsive provision.

By pooling funding, delivery partners are able to provide the required support, however, these funds are not available in all locations and are ultimately not a sustainable source of funds for basic services.

What we plan to do next: areas of focus for the Review

- Increasing the flexibility of delivery to meet the needs of customers:
 - How national agencies can be flexible enough to meet local customer needs while still retaining overall organisational control.
 - How flexibility at the local level can respond to short and long term needs of customers and communities but also still support wider national ambitions.
- Removing barriers to create pooled funding and budgets to support joint working:
 - How agencies can pool their funding to have the biggest impact on customer outcomes.
 - How differences in funding periods and arrangements between agencies can be aligned to maximise customer opportunity.

5.4 What we have found – Duplication

The Review identified that the different commissioning and administrative processes in the employment and skill systems result in duplication of work and a great deal of expense, which could be used at the front end to benefit the customer.

Progress has been made to remove duplication at the customer interface to improve the customer experience, for example through co-location of support services for individuals and the integrated employer offer for businesses. However, the fundamental duplication in process behind these interfaces remains to be addressed.

Trusting providers and placing a greater emphasis on lighter touch regulation, monitoring and inspection provides an opportunity to eliminate waste and remove duplication of commissioning and administrative processes that acts as a boundary between agencies and prevents joint working

What we have found in detail – The challenges to be addressed

- **Responsibilities for delivery overlap between organisations.** Responsibilities for delivery that appear clear at a national level often overlap at a local level. National programmes and provision have often been developed incrementally and do not take into consideration the provision available at a local level. When delivery at a local level is uncoordinated there is a risk of duplication of delivery between different programmes, funding streams and local priorities (for example through local area agreements and ESF funding in England)
 - **Duplication of delivery is expensive.** Provision is duplicated in both the employment and skills arenas. Where that happens, it clearly has to be managed by whichever managing agency is responsible and administered by the delivering organisation. This clear duplication of work creates unnecessary expense at regional and local levels.
 - **Choice of providers not choice of provision.** Duplication of programmes and delivery often give the illusion of choice when in fact individuals are simply making a choice between delivery organisations, not a choice of provision type.
- **Commissioning and administrative processes remain unaligned.** Each organisation has its own set procedures and protocols. This is not a problem in its own right, but when agencies or providers want to work together these differences can create inefficiencies and barriers.
 - **Different agencies have stand-alone, isolated processes for procurement, funding and reporting.** Agencies such as the Skills Funding Agency and Jobcentre Plus were set up at different times and with different objectives. They all have their own separate, funding streams, reporting mechanisms and procurement processes. For these agencies to collaborate and work together, delivery needs to respond to these different requirements often diverting resources away from customers.
 - **Operational systems are overly complex.** As individuals and employers progress through the employment and skills system or move to different programmes they often have to complete a new set of paperwork with largely the same information. This paperwork increases the administrative burdens for agencies and providers and impacts adversely on the customer journey.
 - **Time is diverted from delivery by duplicated processes.** When programmes are jointly funded from different sources, each 'funding agency' requires their own set of administrative paperwork and tracking documents to be completed. This results in the same administrative exercises being continually repeated and diverting money away from front-line delivery services.

- **Joint working is not supported:** There is little support to help local agencies to work together to remove barriers to joint working and to achieve better outcomes.
 - **Agencies have too little support on how to establish and facilitate effective joint working.** As previously identified (in section 5.1) many agencies (national and local) work to their own individual targets. Delivery and customers often need fast responses. Joint working, and the challenges this brings, can be frustrating and slow. There is very little strategic leadership to support agencies in their efforts to work together and identify approaches which would be more efficient and effective to achieve outcomes.
 - **Initiatives to integrate are driven from the top down.** Policy approaches on integration have too often been piecemeal and determined at a national agency level without sufficiently taking into consideration the operational level and the multitude of individual agencies and providers that exist locally. Failure to review and address the fundamental differences in infrastructure and processes involved in the employment and skills system impacts negatively upon achieving the benefits of joint working. Local agencies very often work together (collaboration, not integration) but it is in spite of the system, not because of it, and this produces limited short term results.

Case study 4 – Impact of multiple funding contracts

The large amount of public funding opportunities from a variety of funding agencies within the employment and skills system means that some providers hold multiple contracts to deliver services. An extreme example is illustrated in a recent report by the Social Market Foundation⁽¹⁾ which cites the example of a welfare to work provider that had 16 different funders. Many funding bodies have their own specific auditing and performance management requirements and providers have to divert resources away from front line service delivery to meet the needs of several different funding bodies and have to divert further resources away to tender for future services to sustain the overall level of provision they can offer.

Agencies and local strategic bodies have attempted to address this issue by aligning their funding portfolios through the creation of regional employment and skills strategies which look to 'stitch together' the different offer from multiple agencies. However, they are usually challenged by the need to deliver provision identified as a national priority which may not be fully responsive towards local demand.

Moving forward, national partners need to look at wider structural issues on how they can facilitate the production of an aligned and responsive offer to local individuals, employers and communities.

Note: (1) Mulheim, Foley, Menne, Prendergrast, Vicious Cycles, Sustained employment and welfare reform for the next decade; Social Market Foundation 2009

What we plan to do next: areas of focus for the Review

- Simplifying the delivery of employment and skills services to reduce costs and increase customer outcomes:
 - How agencies can effectively identify and remove duplication and overlaps in provision to make delivery more effective.
 - How agencies can plan together at a local level to align delivery and prevent duplication.
- Aligning commissioning and administrative processes across agencies to improve customer outcomes:
 - How procurement, commissioning, delivery and customer tracking systems can be integrated to reduce the costs of delivery and enhance outcomes.
 - How efficiencies in delivery can be identified and achieved to reduce the overall costs of delivery by providers.
- Ensuring local agencies and providers are supported to align employment and skills services:
 - How agencies can be supported most effectively to work together despite the potential for fewer resources.

6.0 What we plan next

Moving forward with this review, we will focus on the following areas of work:

- **Consultation on the future focus of the Review.** This report sets out the emerging messages from our work to date. We are seeking to consult with stakeholders across the employment and skills systems to help shape and prioritise our work to the end of this review in early 2011. Through our fieldwork sessions and our micro-site we will ask stakeholders to comment on the emerging messages and future focus of the review under each of our four key themes. Further information on how to participate, is available through our dedicated micro-site (<http://2010review.ukces.org.uk>).
- **Carry out detailed investigation of emerging issues:** To support the development of the Review recommendations, we will commission specific areas of research to explore the challenges for the system identified within this report in greater detail. This work will include identification of the challenges under the three broad headings of policy, behavioural and implementation.
 - This will then go on to support the development of recommendations on how to maximise the impact of the employment and skills provision on customer outcomes.
- **Continue to capture the experiences of regional and sub-regional stakeholders and customers.** The 2010 Review will continue to develop an understanding of integration in practice from the experiences of stakeholders across England, Scotland and Wales. Seven further fieldwork sessions are planned (four in England, two in Scotland and one in Wales). As well as assessing the level of integration of employment and skills services within different locations, we will look to build a portfolio of good practice where integration of employment and skills services has led to improved outcomes for individuals, employers and communities.

Annex A – Glossary of key terms

This interim report contains specific references to individuals and employers as customers of the employment and skills system.

The use of the word ‘customer’ in the delivery of public employment and skills can often have different meanings for different organisations. For the purposes of the 2010 Review, a short glossary of key terms is provided below:

- **Agencies:** Organisations responsible for the administration and oversight of specific government functions - for example Jobcentre Plus and the Skills Funding Agency
- **Communities:** Individuals, including but not limited to the users or beneficiaries of provision and services, living or working in a significant geographical locality
- **Customer:** The end user or beneficiary of the provision and services. Note this does not include intermediary commissioners of services
- **Employer:** The user or beneficiary of provision and services as represented by a business that employs one or more individuals
- **Individual:** The user or beneficiary of provision and services as represented by an individual person
- **Stakeholders:** Individuals with influence over, or interest in, the design and delivery of employment and skill services

Annex B – 2010 Review assessment framework



The assessment framework provides a guide for conducting the 2010 Review. It will be used by the 2010 Review team, co-sponsors and participating stakeholders to assess and report on progress towards the integration of employment and skills services and to make recommendations on what more needs to be done to further integration in Scotland, England and Wales.

The framework consists of three components, as set out in the diagram and described below:

1. **Headline success criteria**, presented in the outer most ring of the diagram, which define what a successfully integrated service looks like. The final assessment of progress towards integration will be made against these '5 As'.
2. **Sub-criteria or questions**, presented in the middle ring of the diagram, which correspond to each headline success criteria and provide the lines of inquiry we will follow to assess progress towards the headline success criteria or towards integration.
3. **Key drivers**, presented at the centre of the diagram, which underpin the sub-criteria and are fundamental to achieving the headline success criteria or an integrated system.

Headline success criteria and sub-criteria

During Phase One of the 2010 Review the five headline success criteria for an integrated employment and skills system were agreed with co-sponsors. During Phase Two, the corresponding sub-criteria were articulated by the UK Commission. They are both explained below. The headline success criteria and corresponding sub-criteria have also been presented in Annex B for ease of reading.

AGILE to respond to the needs of individuals, communities and employers

Agile and the corresponding sub-criteria focus on whether the employment and skills systems respond to users' diverse demands and/or needs and how quickly the systems can respond to unexpected changes in these demands and/or needs and in economic conditions. As per the description of key drivers provided below, Agile is driven by: core organisational functions; having a focus on the customer; and a culture that supports both.

AMBITIOUS in its aspirations for employers and individuals as customers

Ambitious and the corresponding sub-criteria focus on whether the delivery systems support customers to maximise their participation in and the outcomes they achieve from publicly funded employment and skills services. It also considers how well the systems strive to improve services for all customers. As per the description of key drivers provided below, Ambitious is driven by: having a focus on performance and on the customer; and a culture that supports both.

AFFORDABLE for Government in all economic conditions

Affordable and the corresponding sub-criteria focus on how efficiently services are planned and delivered to minimise duplication, manage overall costs and achieve sustainability while not compromising quality and effectiveness. As per the description of key drivers provided below, Affordable is driven by: leadership and strategy; core organisational functions; a focus on performance and on the customer; achieving value for money; and a culture that supports all five.

ACCOUNTABLE to its users as customers

Accountable and the corresponding sub-criteria focus on the extent to which individuals and organisations have clear roles and responsibilities; insights into customers' experiences are used to improve provision; leadership and transparency in outcomes drive high performance.

As per the description of key drivers provided below, Accountability is driven by: leadership and strategy; core organisational functions; a focus on performance and on the customer; and a culture that supports all four.

ALIGNED goals, behaviours and resources

Aligned and the corresponding sub-criteria focus on whether there is a common understanding and vision for integration, which is enabled by core organisational functions and geared towards creating a seamless customer journey. As per the description of key drivers provided below, Aligned is driven by: leadership and strategy; core organisational functions; a focus on performance and on the customer; collaboration; and a culture that supports all five.

The corresponding sub-criteria which sit underneath the headline success criteria is available in more detail through our interactive assessment framework on the dedicated 2010 microsite (<http://2010review.ukces.org.uk>):

Key drivers

The framework also articulates the following seven key drivers of integration:

1. **Leadership and strategy**, within individual organisations and across the system in each nation ('holding the whole'), to drive a common understanding of integration, clear accountabilities and high performance.
2. **Core organisational functions** that drive alignment, flexibility, responsiveness and sustainability. By core functions we mean:
 - Planning
 - Funding
 - Commissioning
 - Data collection
 - Design and delivery of services
3. **Performance** regimes and reporting that drive improved outcomes across the whole system in each nation. This specifically refers to targets, measures and incentives, customer feedback loops, transparent and timely reporting of performance data.
4. **Value for money** in service delivery, without compromising quality, to drive financial sustainability.
5. **Collaboration** between delivery partners to drive a seamless customer journey. Importantly, for individuals, this means regardless of where they are in transitioning from unemployment to sustainable employment and progression and regardless of where they are on the skills ladder.
6. A system that has at its core a focus on the **customer**.
7. A **culture** that supports the aforementioned drivers

Annex C – Steering group membership

	Name	Title	Organisation
1	Julie Kenny	Commissioner (steering group Chair)	UK Commission for Employment and Skills
2	Karen McAvenue	Team Leader	Scottish Government
3	Jo Banks	Head of Skills ,Strategy & Policy Branch	Welsh Assembly Government
4	Chris Guest	Deputy Director	Department for Work and Pensions
5	Kirsty Pearce	Deputy Director	Department for Business Innovation and Skills
6	Denise Horsfall	Head of Partnerships Division	Jobcentre Plus
7	Karen Riley	Director	Skills Funding Agency
8	Sarbani Banerjee	Head of Skills	Higher Education Funding Council for England
9	Wendy Matthews	Head of Employment and Skills	South West Regional Development Agency
10	Polly Payne	Deputy Director	HM Treasury
11	Jane Ward	Senior Programme Director	The National Institute of Adult Continuing Education
12	Paul Warner	Director of Employment and Skills	Association of Learning Providers
13	Sean Williams	Managing Director	G4S Welfare to Work
14	James Fothergill	Head of Education & Skills	Confederation of British Industry
15	Julie Wilkes	Chief Executive	Skills Third Sector
16	Chih Hoong Sin	Principal	Office of Public Management
17	Andy Wilson	Head of Skills	Association of Colleges

Annex D – Timing and list of fieldwork locations

